State of Kansas Benefit Study Options

Options Available

- Hay Group can analyze State of Kansas benefits using two vehicles.
    - Prevalence of Practice Analysis
    - Benefit Value Comparison Analysis

Prevalence of Practice Analysis - Definition

- A report that will summarize the detailed benefits of the State of Kansas against those of a comparator group or groups.

- Benefits for consideration include:

  – Healthcare Benefits – this includes medical care, dental care, vision care, employee physicals, and retiree health benefits.

  – Retirement Benefits – this includes defined benefit pension plans and defined contribution plans and specifies on all of the subsets of these two categories including 401(k), 457 plans, 403(b) plans, profit sharing plans, and cash balance pension plans.

Prevalence of Practice Analysis - Definition

- Benefits for consideration include:

  – Death Benefits – Basic death benefits, accidental death and dismemberment plans, voluntary death benefit plans for spouses and dependents, business travel accident insurance.

  – Disability Benefits – includes sick pay plans, short term and long term disability plans.

  – Holiday and Vacation Benefits – includes schedule of holidays and vacation day eligibility viewed over time in 5 year increments.

  – Other Benefits – a category that covers items such as Tuition Reimbursement, Child Care, Transportation Allowances and Flexible Spending Accounts.

Prevalence of Practice Approach

Advantages

- Provides comprehensive review of all dimensions of benefit plans.

- Enables plan redesign by studying the distinct elements of competitive plans.

- Is less expensive than a full benefits value analysis.

Disadvantages

- Does not provide exact market value of each component of benefits.

- Requires some "guessing" as to degree of market competitiveness of benefits.

- Still requires interpretation of data in order to present coherently.

Benefits Prevalence Example

HEALTHCARE BENEFITS

BENEFIT PROVISION	ABC	AUTO PART RETAILERS	RETAILERS 10,000 + EES
Medical Plan	*Provides – Anthem Blue Cross Blue Shield PPO Plan*	*100% provide*	*100% provide*
⇨Cost			
Employee	◊Cost shared ◊30% employee contribution	⇨100% require employee contributions ⇨Average range of employee contributions 25% to 35% of premium	⇨100% require employee contributions ⇨Average range of employee contributions 20% to 30% of premium
Family	◊Cost shared ◊30% employee contribution	⇨100% require employee contributions ⇨Average range of employee contributions 25% to 35% of premium	⇨100% require employee contributions ⇨Average range of employee contributions 25% to 35% of premium
⇨Plan Design	PPO	⇨14% HMO/EPO ⇨72% PPO ⇨14% POS	⇨17% HMO/EPO ⇨63% PPO ⇨20% POS

Benefit Value Comparison Analysis - Definition

- A report that compares benefit values of the participating comparator organizations against those of State of Kansas.

- The report uses the same benefit categories described in the Prevalence of Practice Analysis review but places values on each of these benefit categories compared to the marketplace.

- The Benefit Value Comparison Analysis includes the Prevalence of Practice Report as an appendix so State of Kansas would receive both reports.

Benefit Value Comparison Analysis - Definition

- In establishing a program's overall market competitiveness the Hay Benefit Valuation model uses "standard cost assumptions", instead of a company's specific costs, which eliminates the impact of such cost variables as demographics, geography, funding method, or purchasing power, etc.

- The valuation model places a relative value on each specific feature of a benefit program. The value for each plan is then compiled to produce an overall program value appropriate for market comparison. In general, the more generous a particular feature is the higher the relative value.

- These values are described as a percentile against the selected comparator group. We typically state the market position at the 25th, 50th and 75th percentiles at a variety of salary levels as noted in the example following.

# Benefit Value Comparison Approach

Advantages

- Includes Prevalence of Practice report as an appendix.

- References the employer value against the established market value expressed as a percentile position.

- Applies common cost methodology which eliminates geographic, demographic and bargaining power differences.

Disadvantages

- Is more expensive than Prevalence of Practice approach.

- Requires Prevalence of practice in order to do extensive plan redesign.

Benefit Value Comparison Example

ABC Compared to Auto Part Retailers
EMPLOYER PAID TOTAL BENEFITS VALUES WITH EXECUTIVE PERQUISITES
Salary Levels $20,000 - $80,000
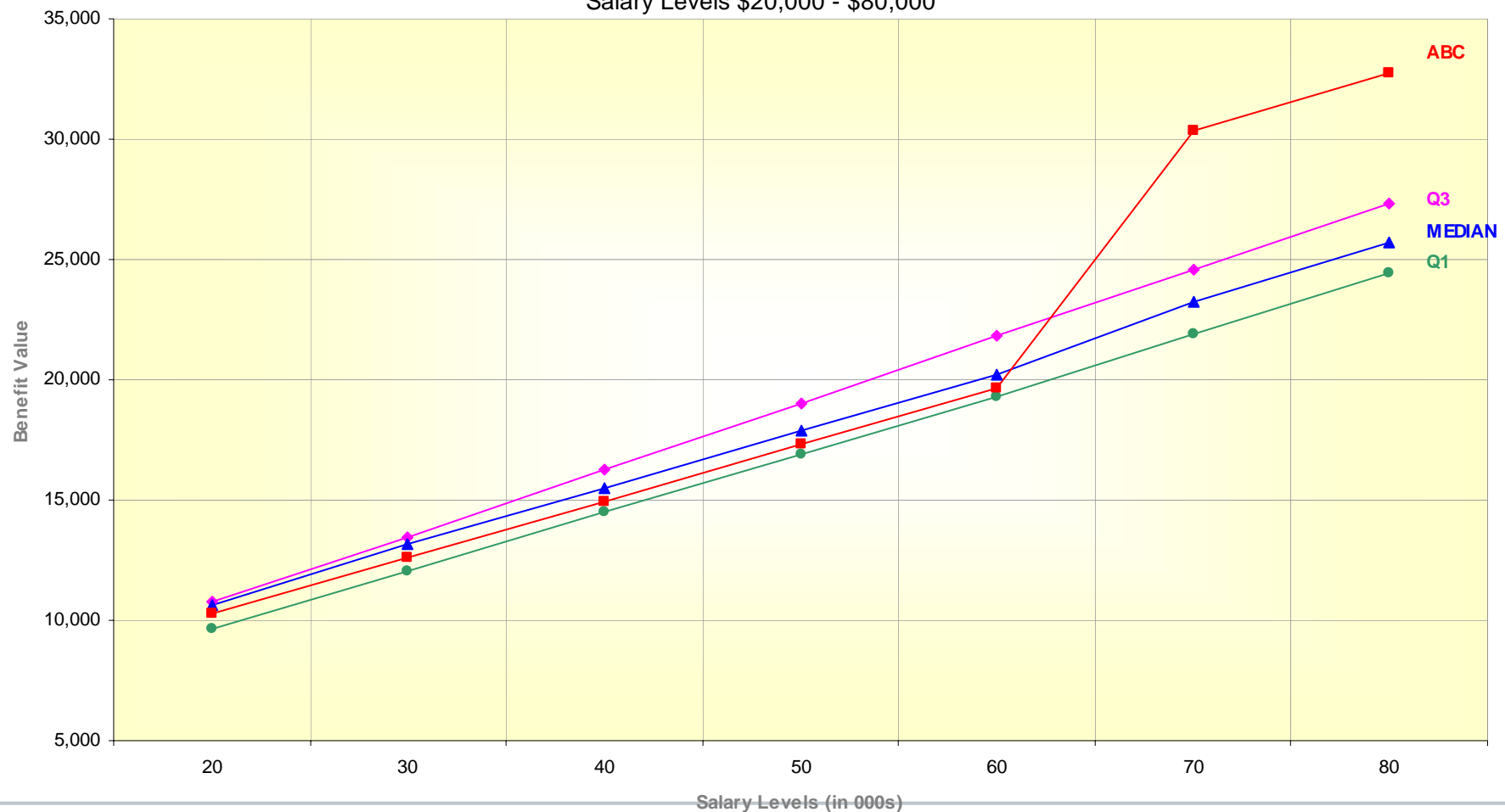
Comparator Group Options

- **Comparator Group**

  - We have the ability to conduct a custom survey of participants similar to those in the State of Kansas cash study as well.

  - We also have the ability to identify organizations doing business in the State of Kansas as a comparator group from our entire data base.

Data Needed

- In order to perform either a Prevalence of Practice Report or a Benefits Value Comparison we require the following data from the employer:
  - Copies of all Summary Plan Descriptions for the relevant plans. These would include the following:
    - Death Benefits
    - Disability Benefits
    - Health Care Plans (we value the plan that is the most prevalent among the plans offered)
    - Retirement Plans (including all Defined Benefit and Defined Contribution plans)

Data Needed

- Additionally, we will ask both the State of Kansas and any other custom participants to fill out a Benefits Questionnaire. The questionnaire will ask for the following kinds of information:

  – Premium Data not typically found in Summary Plan Descriptions

  – Holiday and Vacation data

  – Benefit Cost data

  – Provisions not typically included in Summary Plan Descriptions e.g. COLAs in Defined Benefit Pension Plans

  – Eligibility and Plan Administration

Process

- Obtain all data including questionnaires, summary plan descriptions and general plan data.

- Determine appropriate comparator group or groups

- Collect data answering questions and providing clarification.

- Analyze data collected both for State of Kansas and for any custom comparator organizations selected for the study.

- Deliver preliminary report to the State for verification of data input

- Verify data and produce final report

Decisions Required

- Plan approach – Prevalence of Practice Report only or Prevalence of Practice and Benefit Value Comparison

- Comparator Group – single group or multiple groups, organizations in the data base and/or organizations requiring a custom survey, public sector or private sector or some combination

- Schedule of work based on process selected – Typically the process requires approximately one month from the time that all data has been gathered.